Conceptual framework for GVC accounting

Meeting of the Expert Group on International Trade and Economic Globalization Statistics
7-9 May 2018

Ivo Havinga
United Nations Statistics Division
Outline

- Aim and overview of the Chapter
- Building blocks of the satellite accounts
  - GVC statistical units and governance
  - GVC geographical boundary
  - Industry specific GVC
    - Classification of GVC business functions
    - Classification of GVC products
  - GVC extensions –KLEMS, environment
- Satellite Accounts for GVC:
  - Multi-country GVC-SUTs
  - Extended institutional sector accounts
- Overall approach to GVC satellite accounts
Aim and overview of the Chapter

- Understand and analyze GVCs within the national accounts framework
- Develop a satellite account to describe more in depth specific aspects of GVCs that are otherwise hidden in the conventional accounts
- Provide the building blocks for the framework
- Describe the accounts:
  - Multi-country GVC SUTs
  - Extended institutional sector accounts
Building blocks of the GVC satellite accounts

- Type of GVC
- GVC relevant geographical boundary
- GVC units and governance
- GVC-relevant industry/business function breakdown
- GVC-relevant product breakdown
- GVC-relevant additional information (e.g. employment, capital, environment related, etc.)
GVCs revolve over a specific industry/final product(s).

- GVC for automotive industries; electronics; apparels; textiles; fruits and vegetable, etc.

From a national perspective, the choice of which GVC to analyze depends on the policy relevance of the GVC in the compiling country.

A country may be interested in understanding its position in a specific GVC in order, for example, to enhance its participation and upgrading in the specific GVC, to understand the impact of the GVC on employment, etc.
Activities of a GVC are carried out across national boundaries on global scale.

However, a practical approach for the compilation of a GVC satellite account relies on the identification of the main relevant players in the GVC.
The governance structure of a GVC consist of the set of relationships that are in place between the firms involved in the GVC.

Important to be reflected in the accounts to better understand dependencies, prices, FDI etc.

Concept of lead firms and affiliated firms need to be translated into national accounts terms.
GVC statistical units and governance

- Lead firm => ultimate controlling parent
- Affiliated firms => Subsidiaries
- Non affiliated firms => Associates
GVCs are characterized by a sequence of business production processes that bring a product to its final consumers from its conception.

Business functions are the activities carried out by an enterprise; they can be divided into core functions and support functions.
Core business functions are activities of an enterprise yielding income: the production of final goods or services intended for the market or for third parties.

Support business functions are supporting activities carried out by the enterprise in order to permit or to facilitate the core business functions, its production activity.

- distribution and logistics
- marketing, sales and after-sales services
- information and communication technology (ICT) services
- administrative and management functions
- engineering and related technical services
- research & development (R&D)

Need correspondence to ISIC
GVC products are those products (goods and services) that are inputs into the production process.

The product mapping depends on the specific GVC: the product mapping for the GVC for automotive is very different than the product mapping for the GVC for textiles or electronics.
GVC-relevant additional information

- K (capital), L(labor), E(energy), M(materials), S(services) – KLEMS
- Environmental dimension (e.g. emissions, water, energy, etc.)
- GVCs SUTs are within the same conceptual framework of TiVa.
  - They provide a greater focus on the measurement of a specific GVC
  - They can be used as benchmark for TiVA
The approach used for the development of GVC satellite accounts is

- GVC-specific
- National perspective
- Multi-country table

- Top-down and bottom-up approaches to their compilation
- Importance of profiling LCUs
Thank you